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August 4, 2006

The Honorable Gregory M. Sleet
United States District Court
for the District of Delaware
844 North King Street
Lock Box 19
Wilmington, DE 19801

Re: Integrated Health Services of Cliff Manor, Inc., et al. v. THCI Company LLC, C.A. No.04-910 (GMS)

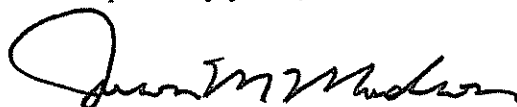
Dear Judge Sleet:

We are the attorneys for plaintiffs and additional counterclaim defendant Abe Briarwood Corporation (collectively, "Plaintiffs"). We write in furtherance of our letter of July 27, wherein we agreed to turn over the properties, and the operation of the nursing facilities to landlord, as at the end of the day on August 31, together with cash on hand and receivables, provided defendant would agree to dedicate those funds, to the extent necessary, to pay payroll and other payables extant as of the turnover date.

We have not heard from defendant in response to our offer. The offer remains open. In connection therewith, we are prepared to enter into a Consent Order so providing. We enclose herewith two forms of Consent Order. We are prepared to enter into whichever one defendant wishes. One assumes defendant accepts our offer on the terms stated. The other assumes defendant does not wish to accept dedicated funds, even though they are projected to yield a \$3.5 million surplus for application to back rent. Both Orders provide for the turnover as at the end of the day on August 31.

We do trust defendant will promptly communicate its agreement to one or the other of these proposed Consent Orders. We continue to note that the Order proposed by defendant may not be entered, for the reasons set forth in our earlier correspondence.

Respectfully yours,



Jason M. Madron

JMM/lma
Enclosure

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